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Hearing Date:
 December 4, 2002 at 10:00 a.m.

Objection Deadline:
 November 27, 2002 at 5:00 p.m.

Attorneys for Reorganized Debtors

**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

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 :
 In re: : Chapter 11
 :
 :
 FLAG TELECOM HOLDINGS LIMITED, : Case Nos. 02-11732 through
 FLAG LIMITED, : 02-11736 and 02-11975 through
 FLAG ATLANTIC LIMITED, : 02-11979 (ALG)
 FLAG ATLANTIC HOLDINGS LIMITED, :
 FLAG PACIFIC USA LIMITED, : (Jointly Administered)
 FLAG TELECOM GROUP SERVICES LIMITED, :
 FLAG TELECOM LIMITED, :
 FLAG TELECOM USA LTD., :
 FLAG ASIA LIMITED, and :
 FLAG ATLANTIC USA LIMITED, :
 :
 Reorganized Debtors. :
 -----X

**SUMMARY SHEET PURSUANT TO THE UNITED STATES TRUSTEE GUIDELINES
 FOR REVIEWING APPLICATIONS FOR COMPENSATION
 AND REIMBURSEMENT OF EXPENSES FILED UNDER 11 U.S.C. § 330**

Name of Applicant: GIBSON, DUNN & CRUTCHER, LLP
 Date of Retention: April 12, 2002
 Date of Entry of Final Order Authorizing Employment: July 9, 2002 (Interim Order from April 12, 2002)
 Period for Which Compensation and Reimbursement is Sought: April 12, 2002, through October 9, 2002

| | |
|---|---------------------|
| Amount of Compensation Sought As Actual, Necessary and Reasonable: | \$5,392,174.50 |
| Amount of Expense Reimbursement Sought as Actual, Necessary, and Reasonable | \$321,978.65 |
| This is: | A Final Application |
| Approximate Amount of Reductions Recorded in This Application: | \$50,000.00 |
| Blended Rate of Professionals (Including Paraprofessionals): | \$383.27 |
| Blended Rate of Professionals (Excluding Paraprofessionals): | \$425.31 |

PROFESSIONALS AND PARAPROFESSIONALS RENDERING SERVICES¹

From April 12, 2002 through October 9, 2002

| <u>NAME</u> | <u>POSITION</u> | <u>YEAR ADMITTED TO BAR</u> | <u>DATE OF INITIAL EMPLOYMENT AT GDC</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|------------------|-------------------------------|--|--------------|-------------|---------------|
| M. GREANEY | Partner-Corp. | 1977-CA 1999-NY | 6/1/1977 | 8.5 | \$710.00 | \$6,035.00 |
| J. LANDERS | Partner-Bankr. | 1966-NY 1982-CA | 6/2/1986 | 99.2 | \$705.00 | \$69,936.00 |
| C. D. REILLY | Partner-Bankr. | 1976-NY 1981-CA | 1/18/1988 | 1316.8 | \$700.00 | \$921,760.00 |
| S. FINLEY | Partner-Corp. | 1974-NY | 8/29/1988 | 16.1 | \$675.00 | \$10,867.50 |
| M. KARLAN | Partner-Lit. | 1980-NY | 9/10/1984 | 68.5 | \$660.00 | \$45,210.00 |
| D.GRAIS | Partner-Lit. | 1978-NY | 8/1/1998 | 130.7 | \$645.00 | \$84,301.50 |
| S. BUFFONE | Partner-Corp. | 1984-CA 1993-NY | 6/1/1984 | 5.1 | \$635.00 | \$3,238.50 |
| S. HAIMO | Partner-Corp. | 1981-France 1984-NY | 3/16/1998 | 9.7 | \$635.00 | \$6,159.50 |
| W. MCARDLE | Partner-Corp. | 1984-Canada 1995-UK | 6/16/2001 | 16.8 | \$610.00 | \$10,248.00 |
| D. MAYO | Partner-Tax | 1988-NY | 8/11/1994 | 111.1 | \$595.00 | \$66,104.50 |
| J. WEISS | Partner-Bankr. | 1990-NY | 9/12/1994 | 127.8 | \$550.00 | \$70,290.00 |
| K. COLEMAN | Partner-Bankr. | 1983-CA | 6/2/1986 | 128.9 | \$525.00 | \$67,672.50 |
| C. MILLET | Partner-Bankr. | 1982-CA | 6/1/1982 | 5.2 | \$525.00 | \$2,730.00 |
| J. MILLIAN | Partner-Lit. | 1984-WA 1987-CA 1988-DC | 7/1/1986 | 36.5 | \$525.00 | \$19,162.50 |
| B. BOLANDER | Partner-Corp. | 1985-NY | 4/17/1989 | 85.1 | \$520.00 | \$44,252.00 |
| J-P PROBE | Partner-Corp. | 1993-France 1993-NY | 1/3/2000 | 17.0 | \$500.00 | \$8,500.00 |
| M FLANAGAN | Partner-Lit. | 1991-NY 1993-DC | 10/15/1990 | 80.3 | \$480.00 | \$38,544.00 |
| A. LANCE | Of Counsel-R.E. | 1984-NY | 3/29/1999 | 15.0 | \$460.00 | \$6,900.00 |
| N. TURNER | Associate-R.E. | 1996-U.K. | 6/26/2000 | 2.5 | \$460.00 | \$1,150.00 |
| A. TRUNDLE-BAUHAN | Associate-Bankr. | 1992-CT 1992-NY | 11/11/1991 | 219.7 | \$450.00 | \$98,865.00 |
| L. DUNST | Associate-Lit. | 1992-NJ 1993-NY | 6/19/2000 | 100.4 | \$445.00 | \$44,678.00 |

¹ In the interest of simplifying review of its application, GDC has voluntarily written off in each monthly fee statement all time attributable to professionals and paraprofessionals who billed only de minimis time during that month to matters pertaining to the representation of the Reorganized Debtors. This voluntary write-off of fees represents a reduction of approximately \$50,000.00 with respect to the compensation sought herein. This chart represents only services for which compensation is sought.

| | | | | | | |
|----------------|------------------|---------------------------|------------|--------|----------|--------------|
| A. WARD | Associate-Lit. | 1995-NY | 11/16/1998 | 92.3 | \$445.00 | \$41,073.50 |
| B. FLEURY | Associate-Corp. | 1996-France | 2/9/2000 | 5.0 | \$440.00 | \$2,200.00 |
| T. GENTILE | Associate-Lit. | 1996-NY | 5/21/01 | 98.1 | \$430.00 | \$42,183.00 |
| J. CENDER | Associate-Corp. | 1997-NY | 9/23/1996 | 301.0 | \$420.00 | \$126,420.00 |
| R. DAVIS | Associate-Lit. | 1997-NY | 9/11/2000 | 42.5 | \$420.00 | \$17,850.00 |
| M. N. LABOVITZ | Associate-Bankr. | 1997-NY | 9/3/1996 | 1285.6 | \$420.00 | \$539,952.00 |
| E. PIERSON | Associate-Lit. | 1997-CA | 1/2/2002 | 67.5 | \$405.00 | \$27,337.50 |
| D. MCGINN | Associate-Lit. | 1999-NY | 10/19/1998 | 8.4 | \$400.00 | \$3,360.00 |
| R. BROWN | Associate-Tax | 1999-NY | 10/5/1998 | 292.3 | \$400.00 | \$116,920.00 |
| C. A. BRUENS | Associate-Bankr. | 1999-NY | 10/19/1998 | 579.7 | \$400.00 | \$231,880.00 |
| D. DAVISON | Associate-Corp. | 1998-UK | 11/6/2000 | 104.4 | \$400.00 | \$41,760.00 |
| P. GUILLOTTE | Associate-Bankr. | 2000-NY | 4/23/2001 | 848.3 | \$400.00 | \$339,320.00 |
| C. JOHNSTON | Associate-Corp. | 1999-NY | 10/12/1998 | 448.6 | \$400.00 | \$179,440.00 |
| N. NAIDOO | Associate-Corp. | 1999-NY | 2/26/2001 | 10.0 | \$400.00 | \$4,000.00 |
| K. WOOLLEY | Associate-Corp. | 1999-NY | 9/25/2000 | 153.0 | \$400.00 | \$61,200.00 |
| J. FINLAYSON | Associate-Lit. | 1995-CA | 9/23/1996 | 540.3 | \$385.00 | \$208,015.50 |
| M. NORTON | Associate-Corp. | 1999-UK | 10/2/2000 | 12.4 | \$370.00 | \$4,588.00 |
| J. SOAL | Associate-Corp. | 1997-UK | 2/12/2001 | 4.7 | \$370.00 | \$1,739.00 |
| T. H. THOMPSON | Associate-Corp. | 2000-NY | 10/4/1999 | 715.0 | \$365.00 | \$260,975.00 |
| E. MULLEN | Associate-Corp. | 2001-NY | 9/14/2000 | 340.1 | \$365.00 | \$124,136.50 |
| G. WINSTON | Associate-Corp. | 2001-NY | 5/26/1998 | 120.0 | \$365.00 | \$43,800.00 |
| C. DALLAS | Associate-RE. | 1996-CA | 9/9/1996 | 3.0 | \$365.00 | \$1,095.00 |
| J. SCAVETTA | Associate-Lit. | 1997-VA 1998-DC | 5/6/2002 | 7.4 | \$345.00 | \$2,553.00 |
| J. HATHAWAY | Associate-Corp. | 2001-CA | 7/6/1999 | 164.2 | \$335.00 | \$55,007.00 |
| A. FABENS | Associate-Corp. | 2001-NY | 5/17/1999 | 102.9 | \$320.00 | \$32,928.00 |
| J. FURST | Associate-Bankr. | 2001-NY | 4/30/2001 | 290.3 | \$320.00 | \$92,896.00 |
| S. LARCOMBE | Associate-Bankr. | 1999-Australia 2001-NY | 9/4/2001 | 965.0 | \$320.00 | \$308,800.00 |
| J. SANDY | Associate-Corp. | 2001-NY | 5/24/1999 | 638.6 | \$320.00 | \$204,352.00 |
| C. WONG | Associate-Lit. | 2001-NY | 5/17/1999 | 5.3 | \$320.00 | \$1,696.00 |
| F. KANJI | Associate-RE. | 2000-NY | 4/30/2001 | 10.2 | \$320.00 | \$3,264.00 |
| L. BARTON | Associate-RE. | 2001-NY | 2/6/2002 | 28.0 | \$320.00 | \$8,960.00 |
| G. NNONA | Associate-Corp. | 2001-NY | 11/5/2001 | 20.0 | \$280.00 | \$5,600.00 |
| F. PEPPER | Associate-Lit. | 2002-NY | 5/15/2000 | 36.9 | \$280.00 | \$10,332.00 |
| F. RABBI | Associate-Corp. | 2002-NY | 1/30/2001 | 337.7 | \$280.00 | \$94,556.00 |
| M. RIEDERER | Associate-Lit. | 2002-NY | 5/22/2000 | 94.9 | \$280.00 | \$26,572.00 |
| M. RIELA | Associate-Bankr. | 2001-NJ 2002-NY | 5/15/2000 | 327.6 | \$280.00 | \$91,728.00 |
| N. PIETILA | Associate-Bankr. | 2000-CA | 5/24/1999 | 19.6 | \$275.00 | \$5,390.00 |
| M. BARTHEZ | Associate-Corp. | 2002-France | 7/2/2001 | 30.5 | \$260.00 | \$7,930.00 |
| K. DOERNER | Legal Assistant | n/a | 7/17/2000 | 4.9 | \$230.00 | \$1,127.00 |
| A. PEERS | Law Clerk | n/a | 8/17/1991 | 7.0 | \$225.00 | \$1,575.00 |
| L. BRISMAN | Law Clerk | n/a | 5/13/2002 | 14.0 | \$200.00 | \$2,800.00 |
| W. P. DOWNES | Law Clerk | n/a | 5/28/2002 | 42.6 | \$200.00 | \$8,520.00 |
| D. HEATH | Law Clerk | n/a | 5/13/2002 | 69.7 | \$200.00 | \$13,940.00 |
| D. SIEGEL | Law Clerk | n/a | 5/20/2002 | 33.6 | \$200.00 | \$6,720.00 |
| C. SKOKOWSKI | Law Clerk | n/a | 5/13/2002 | 62.7 | \$200.00 | \$12,540.00 |
| G. STEINER | Law Clerk | n/a | 5/13/2002 | 61.2 | \$200.00 | \$12,240.00 |
| L. CHAVKIN | Law Clerk | n/a | 5/13/2002 | 27.2 | \$200.00 | \$5,440.00 |
| S. VIAFORE | Legal Assistant | n/a | 10/10/2000 | 34.5 | \$200.00 | \$6,900.00 |
| R. NEZNAMY | Legal Assistant | n/a | 10/9/1995 | 651.9 | \$195.00 | \$127,120.50 |
| C. KAYE | Legal Assistant | n/a | 1/9/1995 | 25.1 | \$190.00 | \$4,769.00 |

| | | | | | | |
|------------------|-----------------|-----|------------|-------|----------|-------------|
| H. E. CANAFAX | Legal Assistant | n/a | 3/16/1990 | 155.5 | \$185.00 | \$28,767.50 |
| J. SEIBERT | Legal Assistant | n/a | 3/20/2000 | 35.8 | \$175.00 | \$6,265.00 |
| D. AL-SAYEH | Legal Assistant | n/a | 10/1/2001 | 205.5 | \$155.00 | \$31,852.50 |
| A. BENTZ | Assistant | n/a | 8/30/1999 | 17.8 | \$150.00 | \$2,670.00 |
| D. HELLER | Legal Assistant | n/a | 6/10/2002 | 368.4 | \$145.00 | \$53,418.00 |
| E. OVUWORIE | Legal Assistant | n/a | 2/8/1988 | 3.5 | \$145.00 | \$507.50 |
| M. RESNICOFF | Legal Assistant | n/a | 7/17/2000 | 405.4 | \$140.00 | \$56,756.00 |
| S. ENRIGHT | Ref. Librarian | n/a | 3/15/1993 | 13.1 | \$120.00 | \$1,572.00 |
| J. DIXON | Legal Assistant | n/a | 7/23/2001 | 16.1 | \$115.00 | \$1,851.50 |
| Y. PEREZ | Legal Assistant | n/a | 10/16/2000 | 5.5 | \$110.00 | \$605.00 |
| M. ONEILL | Legal Assistant | n/a | 6/19/2002 | 22.0 | \$105.00 | \$2,310.00 |
| A. YUEN | Legal Assistant | n/a | 7/19/01 | 31.5 | \$105.00 | \$3,307.50 |
| A. MITTLEBUSCHER | Legal Assistant | n/a | 1/8/2001 | 2.2 | \$85.00 | \$187.00 |

Total Professional Hours:11,752.2
Total Paraprofessional Hours:2,316.7
Total Hours:14,068.9
Total Fee Amount:\$5,392,174.50
Blended Rate:\$383.27

Bankr. = Business Restructuring and Reorganization Practice Group
 Corp. = Corporate Practice Group
 Lit. = Litigation Practice Group
 R.E. = Real Estate Practice Group
 Tax = Tax Practice Group

GIBSON, DUNN & CRUTCHER LLP

Conor D. Reilly (CR-6559)
 M. Natasha Labovitz (MNL-5153)
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 New York, New York 10166-0193
 (212) 351-4000

Attorneys for Reorganized Debtors

**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

| | | |
|--------------------------------------|---|-------------------------------|
| -----X | | |
| In re: | : | Chapter 11 |
| | : | |
| FLAG TELECOM HOLDINGS LIMITED, | : | Case Nos. 02-11732 through |
| FLAG LIMITED, | : | 02-11736 and 02-11975 through |
| FLAG PACIFIC USA LIMITED, | : | 02-11979 (ALG) |
| FLAG TELECOM GROUP SERVICES LIMITED, | : | (Jointly Administered) |
| FLAG TELECOM LIMITED, | : | |
| FLAG TELECOM USA LTD., | : | |
| FLAG ASIA LIMITED, | : | |
| FLAG ATLANTIC HOLDINGS LIMITED, | : | |
| FLAG ATLANTIC LIMITED, and | : | |
| FLAG ATLANTIC USA LIMITED, | : | |
| | : | |
| Reorganized Debtors. | : | |
| -----X | | |

**FINAL APPLICATION OF GIBSON, DUNN & CRUTCHER LLP, AS
 ATTORNEYS FOR THE REORGANIZED DEBTORS, FOR ALLOWANCE OF
 COMPENSATION FOR SERVICES RENDERED AND FOR
 REIMBURSEMENT OF ACTUAL AND NECESSARY
 EXPENSES INCURRED FROM APRIL 12, 2002, THROUGH OCTOBER 9, 2002**

TO THE HONORABLE ALLAN L. GROPPER
 UNITED STATES BANKRUPTCY JUDGE:

Gibson, Dunn & Crutcher LLP ("GDC"), bankruptcy counsel for FLAG Telecom
 Holdings Limited ("FTHL") and the other above-captioned Debtors and reorganized Debtors

(collectively, the "Reorganized Debtors"), pursuant to sections 330(a) and 331 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), files this application (the "Application") for allowance of compensation for professional services performed by GDC for the period from April 12, 2002, through October 9, 2002 (the "Compensation Period"), and for reimbursement of its actual and necessary expenses incurred during the Compensation Period. In support of this Application, GDC respectfully represents:

JURISDICTION

1. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of this Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of this case is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409, respectively. The statutory predicate for the relief requested herein is sections 330 and 331 of the Bankruptcy Code.

BACKGROUND

2. On April 12, 2002, FTHL, FLAG Limited, FLAG Pacific USA Limited, FLAG Atlantic Holdings Limited and FLAG Atlantic Limited filed voluntary petitions for relief under the Bankruptcy Code. On April 23, 2002, FLAG Telecom Group Services Limited, FLAG Telecom Limited, FLAG Telecom USA Ltd., FLAG Asia Limited and FLAG Atlantic USA Limited filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. April 12, 2002 or April 23, 2002 may each be referred to in this Application as a "Petition Date" as the context requires.

3. The property of the Reorganized Debtors' estates has vested in the Reorganized Debtors pursuant to section 1141(b) of the Bankruptcy Code and the Reorganized Debtors are

operating their business and managing their property. By order of this Court, all of the Reorganized Debtors' chapter 11 cases are being jointly administered for procedural purposes only.

4. No trustee or examiner has been appointed in these cases. On or about May 3, 2002, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed a statutory committee of unsecured creditors (the "Creditors' Committee").

5. This Court approved the Reorganized Debtors' employment of GDC as counsel under Bankruptcy Code section 327(a) to render services as described in the application to employ GDC as the Reorganized Debtors' counsel by a series of interim orders beginning on April 12, 2002, and by a final order dated July 9, 2002.

6. On June 11, 2002, FTHL filed its schedules of assets and liabilities and statement of financial affairs. On June 18, 2002, the remaining Reorganized Debtors filed their schedules of assets and liabilities and statement of financial affairs.

7. On July 3, 2002, the Reorganized Debtors filed a chapter 11 plan of reorganization and an accompanying disclosure statement. The Reorganized Debtors filed an amended and restated plan and disclosure statement on July 26, 2002, a second amended and restated plan and disclosure statement on August 5, 2002, and a third amended and restated plan and disclosure statement on August 8, 2002. On August 8, 2002, this Court approved the Reorganized Debtors' Third Amended and Restated Disclosure Statement With Respect to Third Amended and Restated Joint Plan of Reorganization of Reorganized Debtors Under Chapter 11 of the Bankruptcy Code (the "Disclosure Statement"), as accompanied by the third amended and restated plan of reorganization (as amended, supplemented, or otherwise modified, the "Plan").

The Plan's material economic terms reflect an agreement reached among the Reorganized Debtors and their major creditor constituencies.

8. On September 9, 2002, GDC filed its first application for allowance of interim compensation for services rendered and reimbursement of actual and necessary expenses incurred between April 12, 2002, through July 31, 2002 (the "First Interim Fee Application"). Pursuant to an order dated October 11, 2002, the Court allowed 100% of the fees and 100% of the disbursements requested by GDC for services it provided to the Reorganized Debtors between April 12, 2002, and July 31, 2002.

9. The Plan, as amended by certain technical amendments, was confirmed by order of this Court dated September 26, 2002, and became effective on October 9, 2002 (the "Effective Date").

10. GDC has confirmed with the Reorganized Debtors that, to date, the Reorganized Debtors have paid all quarterly fees to the U.S. Trustee that have become due, and have filed their monthly operating reports for the months of April through September, 2002.

**SUMMARY OF PROFESSIONAL COMPENSATION
AND REIMBURSEMENT OF EXPENSES REQUESTED**

11. GDC prepared this Application in accordance with the Amended Guidelines for Fees and Disbursements of Professionals in Southern District of New York Bankruptcy Cases, adopted by the Court on April 19, 1995 (the "Local Guidelines"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the "UST Guidelines"), and the Amended Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals (the "Administrative Order," and together with the Local Guidelines and the UST Guidelines, the "Guidelines").

Pursuant to the Local Guidelines, a certification regarding compliance with same is annexed hereto as Exhibit A.

12. GDC seeks allowance of compensation for professional services rendered to the Reorganized Debtors during the Compensation Period in the amount of \$5,392,174.50, and for reimbursement of expenses incurred in connection with such services in the amount of \$321,978.65. During the Compensation Period, GDC attorneys and paraprofessionals expended a total of 14,068.9 hours for which compensation is requested.

13. There is no agreement or understanding between GDC and any other person, other than members of the firm, for the sharing of compensation to be received for services rendered in these cases.

14. GDC's fees in these cases are billed in accordance with its existing billing rates and procedures in effect during the Compensation Period. The rates GDC charges for the services rendered by its professionals and paraprofessionals in these chapter 11 cases are the same rates that GDC charges for professional and paraprofessional services rendered in comparable non-bankruptcy related matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in a competitive national legal market.

15. Pursuant to the UST Guidelines, annexed hereto as Exhibit B is a schedule setting forth all GDC professionals and paraprofessionals who have performed services in these chapter 11 cases during the Compensation Period, the capacities in which each such individual is employed by GDC, the department in which each such individual practices, the hourly rate charged by GDC for services performed by such individual, the aggregate number of hours

expended by each such individual and the year in which each professional was first licensed to practice law.

16. Annexed hereto as Exhibit C is a schedule specifying the category of expenses for which GDC is seeking reimbursement and the total amount of reimbursement requested for each such expense category.

17. Pursuant to Section II.D of the UST Guidelines, annexed hereto as Exhibit D is a summary by project categories of the services performed by GDC during the Compensation Period.

18. Pursuant to this Court's Order Pursuant to 11 U.S.C. §§ 105(a) and 331, Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals, dated June 13, 2002 (the "Monthly Fee Procedures Order"), GDC has submitted monthly fee statements requesting compensation of professional services and reimbursement of actual and necessary charges incurred during the Compensation Period (each a "Monthly Fee Statement") to the Reorganized Debtors for the months of April through October, 2002. The Monthly Fee Procedures Order provides that, if no one objects to a Monthly Fee Statement within a specified time period, the Reorganized Debtors may proceed to pay GDC 80% of the fees and 100% of the disbursements requested within such Monthly Fee Statement.²

19. GDC has attempted to include in this Application all time and expenses relating to the Compensation Period. Delays in processing such time and receiving invoices for certain

² During the process of reviewing the time entries for this Application, GDC identified minor discrepancies in some Monthly Fee Statements. In this Application, GDC has corrected these discrepancies, and the amounts sought herein reflect the corrected amounts.

expenses, however, do occur. Accordingly, GDC reserves the right to supplement this Application prior to the date set by this Court for hearing this Application to request additional compensation for professional services rendered and reimbursement of expenses incurred during the Compensation Period.

20. GDC maintains computerized records of the time spent by all GDC attorneys and paraprofessionals in connection with the prosecution of the Reorganized Debtors' chapter 11 cases. Subject to redaction for attorney-client privilege where necessary to protect the Reorganized Debtors and their estates, copies of such computerized records will be furnished to the Court. Pursuant to the Monthly Fee Procedures Order, such records have previously been furnished to the Reorganized Debtors, the U.S. Trustee, attorneys for the Creditors' Committee, and the Joint Provisional Liquidators and their attorneys (the "JPLs") in connection with GDC's Monthly Fee Statements. Annexed hereto as Exhibit E are copies of such records. However, due to the voluminous nature of these records, GDC will not serve them with this Application. Instead, these records may be viewed on the official website for the Bankruptcy Court at www.nysb.uscourts.gov, by using an account obtained from Pacer Service Center by dialing 1-800-676-6856 (from the United States) or 1-210-301-6440 (from outside the United States), or copies may be obtained upon written request to Richard Neznamy, Gibson, Dunn & Crutcher, 200 Park Avenue, New York, NY 10166, Telephone 1-212-351-3019 or email at rneznamy@gibsondunn.com.

21. Prior to the commencement of these cases, as disclosed in GDC's original retention application and accompanying affidavit, GDC received retainer payments from FLAG Telecom in the amount of approximately \$1,150,000. In addition, as disclosed in the retention application and accompanying affidavit, FLAG Telecom made a pre-payment of \$1,000,000 to

GDC shortly before the Petition Date on account of GDC's invoiced and estimated accrued unpaid fees and expenses. GDC's actual accrued prepetition fees and expenses exceeded the \$1,000,000 payment, and therefore (as described in GDC's retention application) GDC applied a portion of the \$1,150,000 retainer to pay those excess fees and expenses. GDC's remaining retainer amount, approximately \$820,000, will be applied approximately as follows: (i) \$120,000 will be applied as a partial payment of 80% of the fees set forth in the final Monthly Fee Statement, which will become due in November, 2002; (ii) \$500,000 will be applied as payment of the remaining 20% holdback amounts upon approval of the Application, and (iii) \$200,000 will be applied to fees for services performed by GDC after the Effective Date.

SERVICES RENDERED BY GDC

22. The description of services below summarizes the primary services rendered by GDC during the Compensation Period, and highlights the benefits conferred upon the Reorganized Debtors and their estates and creditors as a result of GDC's services.

23. These chapter 11 cases are very large and complex, and have therefore required that GDC dedicate tremendous resources to help the Reorganized Debtors reorganize their businesses and stabilize their operations. As of the date hereof, there are more than 490 docket entries for these cases, almost all of which were either prepared by GDC or required review by GDC professionals. As of the Petition Date, the Reorganized Debtors had unaudited consolidated assets of \$3,335,017,000 and unaudited consolidated liabilities of \$2,598,040,000. The Plan represents the restructuring of the Reorganized Debtors' debt obligations owed to a widely varying group of creditor constituencies, including two bondholder groups and one bank group with sharply differing interests and trade creditors based throughout the world whose

cooperation was critical to the Reorganized Debtors' ability to emerge from reorganization with a feasible business intact.

24. The worldwide nature of the Reorganized Debtors' chapter 11 cases contributed to their complexity. The Reorganized Debtors are part of a multinational corporate organization made up of more than 50 entities, which operates a global telecommunications network in more than 15 countries and spanning four continents. As of the Petition Date, the Reorganized Debtors had approximately 345 people in 23 offices worldwide. The Reorganized Debtors' restructuring plan involved operational changes, included employee reductions, in each of those countries and offices. The overlay of the Bermuda Proceedings and the appointment of the JPLs added yet another layer of oversight to a process that already involved the oversight of this Court, the Creditors' Committee and the U.S. Trustee.

25. Because of the size of these chapter 11 cases and the intricacy of the legal issues arising herein, GDC staffed the cases with attorneys in various areas of expertise, including business finance and restructuring, litigation, corporate, tax and regulatory law. In addition, the international nature of the Reorganized Debtors' business required the expertise of, and significant input from, attorneys in GDC's European offices.

26. Despite the size and complexity of the Reorganized Debtors' chapter 11 cases, the Plan was confirmed and became effective less than six months after the Petition Date. The speed in which the Plan became effective and the Reorganized Debtors emerged from reorganization was crucial to their ability to emerge with a feasible business intact.

27. The following description is a summary of the primary services rendered by GDC during the Compensation Period.

**A. ASSET ANALYSIS AND RECOVERY/AVOIDANCE ACTIONS
(MATTER # 2)**

(Total Fees: \$35,629.00 Total Hours: 104.8)

28. This billing category includes time spent by GDC professionals to analyze certain of the Reorganized Debtors' assets, including contracts related to the Reorganized Debtors' FA-1 cable, and to recover approximately \$16 million in cash held by certain banks as excess collateral related to the Reorganized Debtors' terminated swap transactions. In addition, this category includes time spent reviewing the status of certain of the Reorganized Debtors' accounts receivable with other telecommunications companies in financial distress. Additionally, this category includes time spent analyzing avoidance actions in connection with the FLAG Atlantic Debtors.

B. ASSET DISPOSITION (MATTER # 3)

(Total Fees: \$123,773.50 Total Hours: 332.7)

29. This billing category includes time spent assisting the Reorganized Debtors in analyzing and evaluating possible dispositions of their assets, including advising the Reorganized Debtors with respect to confidentiality agreements with potential purchasers, certain due diligence efforts by potential purchasers (including updating, maintaining and staffing a data room for the purposes of due diligence review), and other negotiations with potential purchasers.

C. AUTOMATIC STAY ISSUES (MATTER # 4)

(Total Fees: \$251,850.50 Total Hours: 599.9)

30. This billing category includes GDC's work with the Reorganized Debtors to successfully resolve various automatic stay issues, in particular with respect to foreign creditors of the Reorganized Debtors not necessarily subject to the jurisdiction of this Court. Specifically, GDC attorneys spent significant amounts of time working to address and seek remedies for two

separate violations of the automatic stay by a construction vendor to the Reorganized Debtors, Alcatel Submarine Networks ("ASN"). GDC attorneys also negotiated two separate settlements with ASN whereby the stay violation would cease, and then worked to document that settlement. In addition, this billing category includes time spent addressing notices of default, collection demands, purported notices of lien, and other violations of the automatic stay by certain of the Reorganized Debtors' trade creditors.

D. BUSINESS OPERATIONS (MATTER # 5)

(Total Fees: \$200,805.50 Total Hours: 478.4)

31. This billing category includes time spent by GDC professionals to work closely with the Reorganized Debtors' staff at all levels to provide advice with respect to operations under chapter 11, and compliance with provisions of the Bankruptcy Code, including but not limited to compliance with respect to payments of prepetition debt, use of property, retention of professionals, and operations in the ordinary course of business. In that regard, GDC spent a significant amount of time analyzing the permissibility of use of property in connection with their Taiwan licensing, drafting a motion for Bankruptcy Court approval of that transaction, and monitoring the transaction to ensure continued compliance. GDC also prepared a motion for an order allowing the Reorganized Debtors to pay the prepetition claims of agencies of the Chinese government for cable-lying permit fees. In addition, GDC provided advice to the Reorganized Debtors with respect to business operations related to the chapter 11 cases of certain of the Reorganized Debtors' customers, suppliers and creditors, including PSINet and Teleglobe. This billing category also includes time spent advising the Reorganized Debtors with respect to the effect of chapter 11 on their foreign business operations and coordination with potential foreign insolvency proceedings.

E. CASE ADMINISTRATION (MATTER # 6)

(Total Fees: \$651,022.00 Total Hours: 2233.0)

32. Immediately after the first Petition Date, as a result of the unplanned nature of the Reorganized Debtors' chapter 11 filings, GDC spent significant amounts of time preparing pleadings necessary to allow the continued operations of the Reorganized Debtors' business, payment of certain critical prepetition claims, retention of key professionals, and the commencement of the five chapter 11 cases that were filed on the second Petition Date. Such time is included in this category.

In addition, this category includes time spent on a variety of tasks that were necessary to ensure compliance with the requirements of this Court, the office of the U.S. Trustee and / or the Bankruptcy Code, including establishing procedures for case administration, planning for the administration of the chapter 11 cases going forward, preparing case calendars and preparing operating reports, schedules of assets and liabilities, disclosures related to the organizational meeting of creditors and the meeting of creditors pursuant to section 341 of the Bankruptcy Code, and other necessary disclosures, in addition to time related to the administration of the legal services related to the Reorganized Debtors' chapter 11 cases. This category also includes time spent responding to general creditor inquiries and on matters related to these chapter 11 cases which do not fall within the specific billing categories that have been established by GDC or which include services related to more than one billing category.

F. CLAIMS ADMINISTRATION AND OBJECTIONS (MATTER # 7)

(Total Fees: \$185,292.00 Total Hours: 501.3)

33. This category includes time spent addressing individual claims against the Reorganized Debtors, communicating with claimants and representatives of the Reorganized

Debtors regarding the status of the claims administration process, and establishing and maintaining a creditor information line for telephonic inquiries. It includes time spent preparing and filing pleadings requesting the entry of a bar date for creditors' claims in the Reorganized Debtors' chapter 11 cases and the approval of the form and manner of notice of such bar date, and time spent ensuring compliance with such bar order. GDC also negotiated with creditors regarding their claims and have reached agreements with several of them, whereby certain claims were withdrawn and others were deemed allowed. In addition, GDC drafted a pleading requesting the implementation of a procedure to handle creditors' claims, analyzed all claims that were filed, and drafted an omnibus objection to claims. GDC also spent significant time assessing the likely recovery on claims, and negotiating with the JPLs regarding the claims reserve.

**G. CORPORATE GOVERNANCE/SECURITIES LAW COMPLIANCE
(MATTER # 8)**

(Total Fees: \$93,708.50 Total Hours: 226.6)

34. This category includes time spent analyzing certain issues related to reporting and disclosure obligations under securities laws, fiduciary duties and other obligations of officers and directors, and other matters related to corporate governance. Also included is time spent addressing issues with respect to the delisting of FTHL's stock on Nasdaq and LSE, and the listing of FLAG Telecom Group Limited's stock on Nasdaq which occurred soon after the Effective Date. This billing category also includes time spent drafting new bylaws and other corporate documents for the Reorganized Debtors. In addition, this billing category includes time spent attending board meetings in connection with all of the matters referenced above and in order to provide general advice.

H. CREDITOR/COMMITTEE ISSUES (MATTER # 9)

(Total Fees: \$108,331.50 Total Hours: 235.0)

35. This category includes time spent communicating with representatives of the committee of unsecured creditors appointed in these chapter 11 cases, attending meetings of creditors on behalf of the Reorganized Debtors, and working through committee-specific issues related to the Reorganized Debtors' global economic settlement of issues underlying their plan of reorganization. This category also includes time spent communicating with certain individual creditors regarding the status of the Reorganized Debtors' chapter 11 cases and responding to creditor inquiries concerning the Reorganized Debtors. This category also includes time spent preparing for the section 341 creditors' meeting, and setting up and staffing a data room for the specific use of creditors and other parties.

I. USE OF CASH (MATTER # 10)

(Total Fees: \$114,208.00 Total Hours: 253.1)

36. This category includes time spent negotiating, seeking approval for and documenting the consensual use of cash of FTHL to fund operations of subsidiary Reorganized Debtors. This category also includes time spent assuring continued compliance with the Reorganized Debtors' responsibilities under those agreements. In addition, this category includes other matters related to the Reorganized Debtors' use of cash and establishment of bank accounts, including matters related to the Reorganized Debtors' compliance with section 345 of the Bankruptcy Code.

J. EMPLOYEE ISSUES (MATTER # 11)

(Total Fees: \$145,191.50 Total Hours: 326.2)

37. This category includes time spent analyzing and discussing employee severance and retention issues, including advising the Reorganized Debtors with respect to their employee reduction program and seeking court approval of that plan and the funding therefor. This category includes time spent advising the Reorganized Debtors about the legal consequences of assuming or rejecting certain employment contracts. This category also includes time spent seeking approval of prepetition wage and related payments to employees and contractors and negotiating availability of related funding, assisting the Reorganized Debtors in addressing employee concerns regarding the commencement of the Reorganized Debtors' chapter 11 cases, and addressing various matters related to executive compensation and retention programs.

K. EXECUTORY CONTRACTS AND UNEXPIRED PERSONAL PROPERTY LEASES (MATTER # 13)

(Total Fees: \$349,349.50 Total Hours: 905.7)

38. This category includes time spent reviewing and analyzing certain executory contracts and unexpired personal property leases of the Reorganized Debtors, advising the Reorganized Debtors about the legal consequences of assuming and assigning, or rejecting such contracts or leases, particularly when the counter-party may not be subject to U.S jurisdiction, assisting in the Reorganized Debtors' contract analysis to determine which contracts to assume and which to reject, and preparing a list of assumed contracts and a list of rejected contracts. This category also includes time spent negotiating with contract counterparties such as Cable & Wireless plc, Ciena Corporation, Lucent Technologies Inc., Korea Telecom, and Tyco International Ltd. In addition, this category includes time spent responding to the motion by contract counterparty Alcatel Submarine Networks to compel the Reorganized Debtors to

assume or reject a certain contract. This category also includes time spent preparing several motions to approve compromises with the Reorganized Debtors' creditors.

L. FEE/EMPLOYMENT APPLICATIONS/OBJECTIONS - GDC (MATTER # 14)

(Total Fees: \$115,108.50 Total Hours: 400.2)

39. This category includes time spent preparing an application and declaration in support of employment of GDC to represent the Reorganized Debtors, conducting conflict analyses, preparing Monthly Fee Statements as required by the Guidelines and the Fee Procedures Order, and ensuring that all of GDC's time records comply with the Guidelines, applicable provisions of the Bankruptcy Code, and the orders of this Court. This category also includes time spent preparing GDC's first interim application for allowance of compensation.

L. FEE/EMPLOYMENT APPLICATIONS/OBJECTIONS – OTHER PROFESSIONALS (MATTER # 15)

(Total Fees: \$216,917.00 Total Hours: 543.0)

40. This category includes time spent preparing retention applications for other professionals, including, among others, Appleby Spurling & Kempe, The Blackstone Group, L.P., Arthur Andersen (UK), Innisfree M&A Incorporated, Elizabeth Gloster, QC, Friedman, Wang & Bleiberg, PC, Poorman-Douglas Corporation, Insignia/ESG, Inc., and Deloitte & Touche. In addition, this billing category includes time spent devising and seeking court approval for a mechanism for retaining and compensating several dozen professionals in the ordinary course of business, as well as time spent assisting the Reorganized Debtors' with their ongoing compliance obligations with respect to such retentions and compensation, and time spent responding to questions from foreign ordinary course professionals regarding the U.S.

bankruptcy process and requirements. This category also includes time spent reviewing other professionals' fee applications and attending hearings thereon.

M. INSURANCE (MATTER # 16)

(Total Fees: \$13,472.50 Total Hours: 24.2)

41. This category includes time spent addressing issues concerning the Reorganized Debtors' insurance coverage, particularly with respect to coverage of securities litigation claims.

N. PLAN AND DISCLOSURE STATEMENT (MATTER # 17)

(Total Fees: \$1,991,449.00 Total Hours: 5049.0)

42. This billing category includes time spent negotiating and drafting the Plan, which was confirmed by this Court on September 26, 2002, the related Disclosure Statement, and certain related documentation including a global term sheet outlining the fundamental agreed economic terms of the Plan and other term sheets and documents related to Plan implementation. This category also includes time spent preparing and arguing the Reorganized Debtors' motion for an order approving the Disclosure Statement and proposed solicitation procedures, and responding to objections thereto. This category also includes time spent preparing all solicitation documents (including ballots, notices and related documents) and coordinating the solicitation. In addition, this category includes time spent preparing and arguing the Reorganized Debtors' motion for an order confirming the Plan, and responding to objections thereto. This category also includes time spent preparing and delivering stock certificates and closing certificates, perfecting security interests, and preparing for the closing with the U.S. Trustee.

O. PLAN EXCLUSIVITY (MATTER # 18)

(Total Fees: \$53,016.00 Total Hours: 129.0)

43. This category includes time spent on matters relating to preparation of a motion to extend the Reorganized Debtors' exclusive periods to file a plan of reorganization and solicit acceptances thereto in these Chapter 11 cases, and time spent preparing to defend a potential objection to this motion or a potential motion to terminate exclusivity to allow the filing of a competing plan of reorganization.

P. REAL PROPERTY LEASES (MATTER # 19)

(Total Fees: \$57,444.00 Total Hours: 149.6)

44. This category includes time spent reviewing and analyzing the Reorganized Debtors' outstanding real property leases, addressing business and operational issues related to those leases, and advising the Reorganized Debtors about the legal consequences of assuming or rejecting certain leases. In addition, this category includes time related to the Reorganized Debtors' motion for an extension of time to assume or reject non-residential real property leases, and motions to reject leases in San Francisco, California and Fairfax, Virginia. This category also includes time spent analyzing the Reorganized Debtors' ability to assume and assign leases, and seeking consent to assign leases that are governed by foreign law. This category also includes time spent calculating rejection damages.

Q. SECURED CREDITOR / COLLATERAL ISSUES (MATTER # 20)

(Total Fees: \$78,287.50 Total Hours: 212.5)

45. This category includes time spent reviewing, analyzing and evaluating the legal positions of the Reorganized Debtors' secured bank lenders, and negotiating an agreement on

plan of reorganization treatment with the bank lenders based on that analysis. This category also includes time spent securing the release of collateral under prepetition security agreements.

R. SHAREHOLDER/EQUITY COMMITTEE ISSUES (MATTER # 21)

(Total Fees: \$70,307.50 Total Hours: 151.7)

46. This category includes time spent responding to inquiries by FTHL's equity holders and concerns asserted by such equity holders regarding the Plan. This category also includes time spent conducting conference calls with the committee of equity holders and providing documents to the committee of equity holders. This category also includes time spent preparing a response to a request to appoint an examiner.

S. TAX ISSUES (MATTER # 22)

(Total Fees: \$158,227.00 Total Hours: 346.1)

47. This category includes time spent researching and analyzing the tax issues arising in connection with the Reorganized Debtors' current operations and the reorganization on the terms outlined in the Plan, and time spent drafting a tax analysis of the consequences of the Plan for inclusion in the Disclosure Statement and discussing that analysis with tax advisors to creditor constituencies.

T. TRAVEL TIME (MATTER # 23)

(Total Fees: \$147,303.50 Total Hours: 332.2)

48. This category includes time spent traveling on behalf of the Reorganized Debtors during which no other compensable work was performed.

U. UTILITIES (MATTER # 24)

(Total Fees: \$8,755.00 Total Hours: 24.4)

49. This category includes matters relating to the requests of certain of the Reorganized Debtors' utilities for adequate assurance of future performance, including the preparation of a motion requesting that the Court deem that the Reorganized Debtors had given such assurance.

V. VENDOR/SUPPLIER ISSUES (MATTER # 25)

(Total Fees: \$18,006.00 Total Hours: 40.0)

50. This category includes time spent responding to inquiries from the Reorganized Debtors' vendors and suppliers regarding the status of the Reorganized Debtors' chapter 11 cases and addressing issues concerning the Reorganized Debtors' continued ability to do business with critical vendors and suppliers during the pendency of their chapter 11 cases. In addition, this category includes time related to the Reorganized Debtors' critical vendor payment program, including drafting two motions seeking authority to make payments to the Reorganized Debtors' critical foreign vendors.

W. BERMUDA ANCILLARY PROCEEDINGS (MATTER # 27)

(Total Fees: \$70,261.50 Total Hours: 145.5)

51. This category includes time spent working with Bermuda counsel on the preparation and filing of various documents and affidavits required by the laws of Bermuda in connection with insolvency proceedings commenced there, coordinating with Bermuda counsel and the JPLs with respect to all aspects of these chapter 11 cases, reviewing and commenting on creditors' schemes and wind-down plans for each of the Reorganized Debtors subject to Bermuda

insolvency proceedings, and planning for the court approval and ultimate implementation of the schemes and wind-downs.

X. COORDINATION WITH COUNSEL FOR ACTIONS AGAINST BARCLAYS/WEST LB (MATTER # 28)

(Total Fees: \$30,944.00 Total Hours: 73.2)

52. This billing category includes time spent by GDC lawyers coordinating with the Reorganized Debtors' special litigation counsel in connection with litigation against Barclays Bank and West LB seeking the release of funds of FTHL that were improperly seized by Barclays Bank and West LB prior to the Petition Date, including preparing documents for transmittal to such counsel, meeting with such counsel to brief them on relevant facts, monitoring the status of the pending litigation, and negotiating with respect to a settlement of the litigation. This category also includes time spent reviewing settlement agreements, coordinating proposed settlements, and assisting with the motion to approve those settlements.

Y. SECURITIES LITIGATION (MATTER # 29)

(Total Fees: \$19,021.50 Total Hours: 38.0)

53. This billing category includes time spent working to review, analyze, and negotiate toward the dismissal of securities lawsuits brought against the Reorganized Debtors.

Z. SEC INVESTIGATION (MATTER # 30)

(Total Fees: \$28,935.50 Total Hours: 78.1)

This category includes time spent reviewing documents for production to the Securities and Exchange Commission, and preparing witnesses for testimony before a congressional committee.

AA. FOREIGN LICENSING (MATTER # 32)

(Total Fees: \$3,048.00 Total Hours: 6.2)

54. This billing category includes time spent reviewing foreign licensing issues on behalf of the Reorganized Debtors.

BB. SEC FILINGS (MATTER # 33)

(Total Fees: \$52,509.00 Total Hours: 129.3)

55. This billing category includes time spent assisting the Reorganized Debtors in drafting their 6-K, 8-K, 10-K, 10-Q and 20-F reports.

ALLOWANCE OF COMPENSATION

56. Section 331 of the Bankruptcy Code allows a bankruptcy court to authorize interim compensation for "[a] trustee, an examiner, a debtor's attorney, or any professional person employed under section 327 or 1103 of this title . . . not more than once every 120 days after an order for relief in a case under this title[.]" Instruction for Section 331 disbursements is "provided under section 330 of this title."

57. Section 330 of the Bankruptcy Code authorizes the bankruptcy court to award a trustee, an examiner or a professional employed pursuant to 11 U.S.C. § 327, reasonable compensation for its services and reimbursement of its expenses. Specifically, Section 330 of the Bankruptcy Code provides as follows:

(a)(1) After notice to the parties in interest and to the United States Trustee and a hearing, and subject to sections 326, 328, and 329, the court may award to a trustee, an examiner, a professional person employed under section 327 or 1103 -

- (A) reasonable compensation for actual, necessary services rendered by the trustee, examiner, professional person, or attorney and by any paraprofessional person employed by such person; and
- (B) reimbursement for actual, necessary expenses.

11 U.S.C. § 330(a)(1).

58. Section 330(a)(3) of the Bankruptcy Code provides that in determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent and value of the services rendered to the estate, taking into account all relevant factors, including:

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable, based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3)(A)-(E).

59. As analyzed below, Applicant believes that the elements governing awards of compensation justify the allowance requested.

(1) THE TIME AND LABOR REQUIRED

60. During the Compensation Period, 14,068.9 recorded hours have been expended by GDC's partners, counsel, associates and paraprofessionals in providing the requested professional services. Exhibits B, D and E hereto details the time and labor expended by GDC during the Compensation Period on behalf of the Reorganized Debtors. The number of hours spent by GDC correlates with the Reorganized Debtors' diligent efforts to operate as a debtor in possession and formulate a consensual chapter 11 plan of reorganization.

(2) THE RATES CHARGED FOR SUCH SERVICES

61. During the Compensation Period, GDC's hourly billing rates ranged from \$480.00 to \$710.00 per hour for partners, \$260.00 to \$460.00 for counsel and associates, and \$105.00 to \$230.00 for paraprofessionals. Based on the recorded hours expended by GDC's attorneys and paraprofessionals, the average hourly billing rate for GDC's services was approximately \$383.27.

62. The amounts charged to the Reorganized Debtors for the particular services rendered approximate the rates charged other clients of the firm for such services. Indeed, if the firm's retention in these matters were not governed by the Bankruptcy Code, GDC would charge the Reorganized Debtors and expect to receive, on a current basis, an amount at least equal to the amounts requested herein for the professional services rendered.

63. In connection with the provision of its legal services, GDC has sought, within the parameters required for effective legal representation, to minimize legal expenses. Moreover, consistent with its belief that strict fee management inures to the benefit of the Reorganized Debtors, their creditors, the Court, and ultimately the public, GDC diligently monitored the integrity of its bills. GDC carefully reviewed each and every time entry of all professionals and paraprofessionals who worked on these cases to determine the reasonableness of the monthly totals for services rendered. Finally, as stated above, GDC has voluntarily reduced its fees by approximately \$50,000.00.

(3) THE NECESSITY OF THE SERVICES AND BENEFIT TO THE ESTATE

64. As detailed above, the services GDC provided to the Reorganized Debtors were necessary to preserve and enhance the Reorganized Debtors' business operations and going-concern value, and conferred substantial benefit on the Reorganized Debtors' estates. GDC services have accomplished the Reorganized Debtors' primary objective of reorganizing their

business as a going concerns through a consensual plan of reorganization, thus preserving the jobs of their employees and fostering the reorganization policy reflected in chapter 11 of the Bankruptcy Code.

(4) CUSTOMARY COMPENSATION

65. GDC relies on the Court's experience and knowledge with respect to the compensation awards in similar cases. Given that frame of reference, GDC submits that, in light of the circumstances of the case and the substantial benefits derived from GDC's assistance, compensation in the amount requested is fair and reasonable.

(5) WHETHER SERVICES WERE PERFORMED IN A REASONABLE AMOUNT OF TIME

66. GDC represents and would demonstrate to this Court that the services were performed in a reasonable amount of time, given the complexity of the issues involved, the international nature of the Reorganized Debtors' business, and the multiple jurisdictions and government authorities involved in this restructuring. GDC's detailed and thorough contemporaneous time records demonstrate that the time expended on various tasks was necessary and appropriate to the vigorous representation of the Reorganized Debtors. From the earliest stages of GDC's involvement in the case, every attempt was made to limit the hours worked to the lowest number feasible, and to avoid duplication of effort and unnecessary costs. On many occasions, GDC attorneys rendered services on behalf of the Reorganized Debtors under severe time constraints. Moreover, during the Compensation period, GDC attorneys frequently performed services on behalf of the Reorganized Debtors within the scope of the Retention Order to the preclusion of other firm matters and clients. Often, the services were performed well after regular business hours.

(6) WHETHER COMPENSATION IS REASONABLE

67. GDC's services have been rendered in a highly efficient manner by attorneys who have achieved a high degree of expertise in the field of business reorganization within the scope of the Retention Order. The skill and competency of the GDC attorneys who have represented the Reorganized Debtors are amply demonstrated by the results achieved in these cases. GDC's highly professional and expert group of attorneys has ensured that the representation of the Reorganized Debtors within the scope of the Retention Order has progressed in an efficient and expeditious manner. The fact that the Plan was confirmed and became effective less than six months after the Petition Date is excellent evidence GDC's high level of efficiency and expertise.

68. GDC thus represents and would demonstrate that the compensation sought for the services rendered and expenses incurred in connection with these chapter 11 cases is reasonable and commensurate with those rates charged by comparably skilled practitioners.

69. GDC's fee request is based upon the normal hourly rates that GDC charges its non-bankruptcy clients. Taking into consideration the time and labor spent, the nature and extent of the representation, the nature of these proceedings, and the voluntary reduction of time and expenses, GDC believes the allowance it requests is reasonable.

70. As set forth in more detail above, GDC's time has been appropriately spent in this case and GDC has voluntarily and substantially reduced its hours. Based upon GDC's blended hourly rate of \$383.27 for professionals (including paraprofessionals) and \$425.31 (excluding paraprofessionals), GDC submits that its rates are comparable to those prevailing in the relevant skilled market. Therefore, GDC's fees are fair and reasonable.

71. Based on the factors to be considered under sections 330 and 331 of the Bankruptcy Code, the results GDC has achieved more than justify allowance in full of GDC's compensation and reimbursement request.

DISBURSEMENTS

72. For this Compensation Period, GDC requests reimbursement of \$321,978.65 for reasonable and necessary out-of-pocket expenses incurred on behalf of the Reorganized Debtors within the scope of the Retention Order. Exhibit C attached hereto is a summary of such expenses, and Exhibit F attached hereto details each of the actual expenses incurred by GDC on behalf of the Reorganized Debtors during the Compensation. Each of the charges reflected on Exhibits C and F is based on the actual and necessary expenses incurred by GDC, in the exercise of reasonable discretion, on behalf of the Reorganized Debtors.

73. GDC's normal billing rates do not take these expenses into consideration. Rather, GDC bills each expense to the applicable client. A prime example of the rationale for such an approach is photocopying expense. Because of the great disparity between the photocopying requirements of different clients, it is virtually impossible to absorb photocopying costs fairly and equitably into GDC's normal billing rates. Accordingly, GDC charges each client for photocopying expenses separately. Similarly, GDC charges each client separately for telephone, postage, overnight courier, travel expenses, computerized legal research and messenger services in each case at GDC's cost. GDC does not charge for incoming or outgoing facsimile transmissions.

74. GDC does not include the amortization of the cost of any investment, equipment or capital outlay in its charges for these services.

75. Any services billed by a third party vendor, with the exception of certain computerized research charges, are charged to the Reorganized Debtors in the precise amount billed to and paid by GDC. Like many large law firms, GDC has negotiated a special arrangement with one computerized research company under which GDC pays a flat rate monthly fee for computerized research services. Consistent with its general policy of billing out-

of-pocket expenses only to clients for whom the use of such services is required, GDC separately charges each client for computerized research. To account for such charges and pass through GDC's cost savings resulting from its special arrangement, GDC charges those clients for whom such services are required eighty percent of the rates charged by the computerized research company to the general public for such services. These charges are intended to cover GDC's direct costs for computerized research. A determination of GDC's actual direct cost for computerized research, however, is dependent on both the volume of the research performed and the total expenses attributable to such research on an annual basis. As a result, it is possible that GDC will realize ultimately a discount greater than the twenty percent passed on to the client. Given the relatively small amount GDC seeks herein for computerized legal research, any such additional discount would be immaterial in the context of this Application.

76. The time constraints frequently imposed by the circumstances of these cases have required GDC's attorneys and other employees to devote time during the evenings and on weekends to perform legal services on behalf of the Reorganized Debtors. These extraordinary services were essential in addressing the necessities of time imposed by the requirements of these chapter 11 cases. Consistent with firm policy, and to ensure the personal safety of attorneys and other employees of GDC, the cost of transportation home was reimbursed for attorneys and employees working late into the night. Unlike many New York firms, GDC does not charge clients for reimbursement of meals for attorneys who worked late. GDC only charges clients for reimbursement for overtime meals if the client or other necessary third parties are present or in the case of overnight travel.

77. The time constraints frequently imposed by the circumstances of GDC's representation of the Reorganized Debtors occasionally required overtime secretarial support and

the use of overtime support staff from GDC's outside business services provider. These extraordinary services were essential in addressing the necessities of meeting critical deadlines. GDC has not sought reimbursement for these overtime charges.

78. GDC has not sought reimbursement for proofreading services, word processing, luxury accommodations or first class travel.

79. GDC has made reasonable efforts to minimize its disbursements in this case. Each of the expenses incurred by GDC in providing professional services to the Reorganized Debtors was necessary, reasonable, and justified under the circumstances to serve the needs of the Reorganized Debtors, their estates, and creditors.

Dated: New York, New York
November 8, 2002

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